

GWTF Meeting, 4.17.08 WPPI

Among those in attendance – Tia Nelson (BCPL), Roy Thilly (WPPI), Forrest Ceel (IBEW), Jeff Crawford (FCPC), David Donovan (Xcel), Casey Eggleston (TNC), Kristine Euclide (MGE), Sally Feistel (USW), Jennifer Feyerherm (Sierra Club), Charlie Higley (CUB), Steve Hiniker (1000 Friends), Dave Hoopman (WFC), Margi Kindig (Citizen), Kris Krause (We Energies), Kathy Lipp (Alliant), Clay Nesler (Johnson Controls), Keith Reopelle (Clean Wisconsin), Kristin Ruesch (Rep. Phil Montgomery’s office), Tom Scharff (NewPage), Charlie Schrock (WPS), Susan Stratton (ECW), Eric Callisto (PSC), Paul Helgeson (PSC), Lori Sakk (PSC), Dennis Koepke (PSC), John Shenot (PSC), Matt Frank (DNR), Mary Ellen Vollbrecht (DNR), Al Shea (DNR), Caroline Garber (DNR), Nick Sayen (DNR), Matt Krumenauer (DNR), Bill Walker (DATCP), John Larsen (WRI), Mark Redsten (Clean Wisconsin), Peter Taglia (Clean Wisconsin), Andy Kellen (WPPI), Tom Smies (WPS), John Clancy (FCPC), Bill McClenahan (FCPC), Nina Plaushin (WPPI), Caryl Terrell (Sierra Club), Scott Manley (WMC), Ed Wilusz (WPC), Rick Kuester (We Energies), Todd Stuart (WIEG), George Edgar (WECC), Michael Vickerman (RENEW), Steven Welcenbach, Chris Deisinger (UCS), Hans Noeldner, Phil Moilien (DPC), Ken Adams (Manitoba Hydro), David Cormie (Manitoba Hydro), Noah Seligman (CWPB), Kevin Kawula (LRPN), Warren Day (ATC)

via teleconference: Glen Wood (ICF)

Welcome / Announcements:

- Roy Thilly reviewed his memo to Task Force members outlining a plan for concluding the Task Force’s work. The focal point of the next few meetings will be to elucidate issues where workgroup members had differences of opinion. The issues will not be debated and decisions will not be made during these discussions. Rather, the Chairs will propose a “straw man” *package* of recommendations for Task Force consideration after all issues have been discussed.
- Charlie Schrock announced that WPS had reached agreement on a letter of intent to purchase 500 MW of hydropower from Manitoba Hydro for a 14-year period beginning in 2018. The power purchase agreement is subject to PSC review and approval. The purchase would include energy, capacity and all attributes of the power.

MGA Update – Eric Callisto:

- The MGA cap and trade workgroup has met twice already. More meetings are scheduled before the end of this month. Additional information is available from the website, www.midwesternaccord.org.
- Dennis Koepke (PSC) is on the Target-Setting, Data & Reporting subgroup. That group is putting together a recommendation that spans what’s happening in participating states and beyond. They will make a recommendation on what the interim target year and the final target year should be.

Modeling Update and Proposed Data Reporting Template – Technical Advisory Group:

- TAG Co-Chair George Edgar presented an overview of the updated reference case. The reference case was updated after the TAG completed a “deep dive” into generation dispatch order and expected power plant retirements. The TAG also considered changes resulting

from the federal Energy Independence & Security Act of 2007. A copy of this presentation is available on the Wisconsin Task Force on Global Warming web site.

- Tom Scharff expressed doubt about the model's prediction of growth in industrial electricity use. George Edgar explained that the REMI model predicts overall economic growth and that drives the increase.
- The TAG is still reviewing modeling results from the first two policy scenarios. Modeling of other scenarios is also underway. The TAG expects to be able to present final modeling results for the first two policy scenarios at the April 25 Task Force meeting, and results of the cap and trade policy scenarios at the May 1 meeting. Other modeling scenarios will follow. The TAG also recognizes the need to update the modeling assumptions book.
- TAG Co-Chair Kris Krause presented a memo summarizing the TAG's recommendations for data collection. Copies of this memo are available on the Wisconsin Task Force on Global Warming web site. The memo references two other more specific recommendations which are also available on the website. The first is a recommendation concerning DNR's air emissions inventory from the Industry workgroup. The second is a recommendation for land use data from the Agriculture & Forestry workgroup.
- Following a question and answer session, the TAG was directed to address three "loose ends" in their Data Collection proposal and attempt to develop a consensus recommendation. The loose ends were:
 - Oversight - Should the Task Force make a specific recommendation about what entity should be named as the "single oversight body" for data management?
 - In-House Modeling - Should the Task Force recommend that the state develop and maintain the capacity to do its own modeling?
 - Accessibility – What should the State do to ensure that data are easily accessible in a simplified format for the public, but also available in enough detail to allow for third party analysis and research?

Utility-Focused Interim CO2 Reductions:

- The co-chairs of the Electric Generation and Supply workgroup and the Carbon Tax/Cap & Trade workgroup led a discussion of three different policy templates that present options for getting CO2 reductions from electric utilities in the "interim" period before any mandatory cap & trade policy would take effect. These three policy proposals did not garner unanimous support in either workgroup.
- The purpose of the Planning Forum policy would be to create a public forum where utilities would present their planned CO2 reduction activities for their existing fleet, along with costs, funding sources, etc. This Planning Forum would help establish a basis for rate cases. Several points of disagreement or uncertainty were raised in connection with this proposal, including:
 - Would/should utility participation in the Planning Forum be mandatory or voluntary? Should the title be changed to Voluntary Interim Reduction Plans?
 - Could such a forum really serve as an interim policy? Or would the establishment of the forum take nearly as long as rolling out a cap & trade program? And why would this only be an interim policy?
- The purpose of the Re-dispatch proposal would be to require electric utilities to evaluate the potential and the cost associated with changing dispatch order to achieve CO2 reductions, especially as compared to the costs of adding renewable energy sources. The utilities would

then develop voluntary goals and plans. PSC would determine whether each plan was reasonable for rate recovery. This approach would allow a public review of what's possible, and what the costs and consequences would be. One of the noted uncertainties about this proposal is whether re-dispatch to gas turbines might lead to higher natural gas prices. This proposal is tricky to model. Leakage is another potential issue.

- The Near Term Offsets proposal is actually 2 policies in 1 template, and overlaps somewhat with other proposals. The first part of the proposal requires mandatory use of environmental dispatch by each utility to achieve a specified percentage reduction in CO₂ emissions (with a price cap). The second part requires mandatory offsets for new large sources of CO₂ emissions (not just utilities) or large emission increases from existing sources. Oregon and Minnesota have policies similar to this second part. The Near Term Offsets proposal brought out the following issues:
 - Who enforces the offset requirement?
 - Would leakage of emissions to out-of-state sources result?
 - What would constitute an emissions increase from an existing source? This is a very thorny issue for traditional air pollution control regulations.
 - Would there be geographic limits to offsets?
 - Since this would require legislation, is it truly an interim policy? Why would it be implemented in advance of a cap & trade program?
- Task Force Co-Chair Roy Thilly noted that there are obvious differences of opinion on these proposals. He said that the ultimate question is whether the Task Force should recommend an “interim reductions” program for utilities, be it mandatory or voluntary.

Enhanced Renewable Portfolio Standard (RPS):

- Manitoba Hydro's Ken Adams (VP of Power Supply) and David Cormie (Division Manager – Power Sales and Operations) gave a presentation on their company's history and explained their current plans to develop new large-scale hydroelectric projects in Manitoba. A copy of their presentation is available on the Wisconsin Task Force on Global Warming web site.
- Some Task Force members were concerned that Manitoba Hydro only told one side of a controversial story and asked whether a second speaker with a different perspective should be invited to present to the Task Force.
- The Enhanced RPS policy proposal has unanimous support in most respects but three unresolved differences needed to be reported to the full Task Force:
 - The Electric Generation & Supply workgroup agreed to raise the 10% by 2015 RPS to 25% by 2025, but couldn't reach consensus on whether to establish an interim requirement between 2015 and 2025 or what it would be.
 - The workgroup agreed on some changes to the types of resources that should count toward the RPS, but didn't reach consensus on the treatment of large hydropower projects. This workgroup also agreed that such changes should not apply to compliance with the current 2015 RPS. However, the Ad Hoc Co-Generation workgroup looked at the same question and that group was split on whether “new definition” renewables should count toward compliance with the 2015 RPS. One view is that allowing the new sources to count immediately would encourage early action; the opposite view is that it would have the effect of reducing the need for “old definition” renewables. One Task Force member questioned whether utilities

could be allowed to bank “new definition” renewables prior to 2015 for post-2015 compliance purposes. The workgroups did not discuss this option.

- The workgroup did not reach consensus on whether to limit the use of out-of-state Renewable Energy Certificates (RECs) for compliance. It was noted that some of the best renewable resources are out-of-state, but development of those resources does not add jobs in Wisconsin and exports Wisconsin ratepayer dollars.

Wrap up / Announcements:

- A list of all policy templates was handed out (copies are available on the Wisconsin Task Force on Global Warming website). The list notes which policy proposals are scheduled for discussion by the Full Task Force. Members were asked to review the list and notify the Chairs by the next meeting if they think any templates will require discussion that are not already noted as such.
- Other agenda items were postponed until the next Task Force meeting.
- Future Task Force meetings have been set through June. The dates are: April 25, May 1, May 14, May 29, June 10, and June 26. At this time, all meetings are planned to be held at WPPI in Sun Prairie. Task Force members will be notified of any changes or additions and all meetings will be noted on the Wisconsin Task Force on Global Warming website.